

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

IN THE MATTER OF THE REVISION OF RATES

Filed by

BAY STATE GAS COMPANY

D.T.E. 05-27

Exhibit to Accompany
the
Direct Testimony

of

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Managing Consultant
P. Moul & Associates

Concerning

Cost of Equity
and
Rate of Return

Bay State Gas Company
Index of Schedules

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Bay State Gas Company
Cost of Capital and Fair Rate of Return
Pro-forma at December 31, 2004

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long Term Debt	46.05%	6.18%	2.85%
Common Equity	<u>53.95%</u>	11.50%	<u>6.20%</u>
Total	<u>100.00%</u>		<u>9.05%</u>

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its overall cost of capital:

Pre-tax coverage of interest expense based upon a
39.225% federal and state income tax rate
(13.05% ÷ 2.85%)

4.58 x

Post-tax coverage of interest expense
(9.05% ÷ 2.85%)

3.18 x

Bay State Gas Company
Capitalization and Financial Statistics
2000-2004, Inclusive

	2004	2003	2002	2001	2000	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 614.3	\$ 532.7	\$ 505.3	\$ 571.7	\$ 606.7	
Short-Term Debt	\$ 157.9	\$ 192.7	\$ 218.9	\$ 140.3	\$ 138.0	
Total Capital	\$ 772.3	\$ 725.4	\$ 724.2	\$ 711.9	\$ 744.7	
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	29.1%	22.2%	18.9%	26.0%	30.2%	25.3%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	70.9%	77.8%	81.1%	74.0%	69.8%	74.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	43.6%	42.9%	43.4%	40.6%	43.2%	42.7%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	56.4%	57.1%	56.6%	59.4%	56.8%	57.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity	4.5%	5.5%	1.7%	3.5%	3.0%	3.6%
Operating Ratio (1)	92.9%	90.5%	92.1%	91.5%	90.4%	91.5%
Coverage incl. AFUDC (2)						
Pre-tax: All Interest Charges	3.92 x	4.39 x	1.86 x	2.42 x	1.91 x	2.90 x
Post-tax: All Interest Charges	2.99 x	3.17 x	1.48 x	1.93 x	1.64 x	2.24 x
Overall Coverage: All Int. & Pfd. Div.	2.99 x	3.17 x	1.48 x	1.93 x	1.64 x	2.24 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	3.91 x	4.39 x	1.86 x	2.42 x	1.91 x	2.90 x
Post-tax: All Interest Charges	2.98 x	3.17 x	1.48 x	1.93 x	1.64 x	2.24 x
Overall Coverage: All Int. & Pfd. Div.	2.98 x	3.17 x	1.48 x	1.93 x	1.64 x	2.24 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Income Tax Rate	31.9%	35.9%	44.1%	34.6%	30.4%	35.4%
Internal Cash Generation/ Construction (4)	157.3%	191.9%	184.7%	103.9%	134.9%	154.5%
Gross Cash Flow/ Avg. Total Debt(5)	18.1%	24.1%	21.1%	14.3%	15.0%	18.5%
Gross Cash Flow Interest Coverage(6)	7.34 x	8.31 x	5.37 x	3.85 x	3.40 x	5.65 x
Common Dividend Coverage (7)	NMF x	3.55 x	7.07 x	3.63 x	3.96 x	4.55 x

See Page 2 for Notes.

Bay State Gas Company
Capitalization and Financial Statistics
2000-2004, Inclusive

Notes:

- (1) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.
- (2) Coverage calculations represent the number of times available earnings including AFUDC (allowance for funds used during construction), as reported in its entirety, cover fixed charges.
- (3) Coverage calculations represent the number of times available earnings excluding AFUDC (allowance for funds used during construction), as reported in its entirety, cover fixed charges.
- (4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally generated funds from operations after payment of all cash dividends.
- (5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFUDC) as a percentage of average total debt.
- (6) Gross Cash Flow plus interest charges divided by interest charges.
- (7) Common dividend coverage is the relationship of internally generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: D.T.E. Annual Returns and Company provided data

<p style="text-align: center;"><u>Gas Group</u> Capitalization and Financial Statistics (1) 1999-2003, Inclusive</p>						
	2003	2002	2001	2000	1999	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 1,171.8	\$ 1,124.1	\$ 1,106.9	\$ 938.5	\$ 911.6	
Short-Term Debt	\$ 265.3	\$ 150.5	\$ 141.5	\$ 113.3	\$ 75.1	
Total Capital	<u>\$ 1,437.1</u>	<u>\$ 1,274.6</u>	<u>\$ 1,248.4</u>	<u>\$ 1,051.8</u>	<u>\$ 986.7</u>	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	13 x	17 x	15 x	15 x	15 x	15 x
Market/Book Ratio	194.0%	179.5%	190.8%	185.5%	189.0%	187.8%
Dividend Yield	4.3%	4.8%	4.6%	4.9%	4.9%	4.7%
Dividend Payout Ratio	57.8%	83.6%	67.1%	71.0%	75.6%	71.0%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	45.5%	51.8%	52.3%	49.1%	49.2%	49.6%
Preferred Stock	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%
Common Equity	<u>54.1%</u>	<u>47.7%</u>	<u>47.2%</u>	<u>50.3%</u>	<u>50.3%</u>	<u>49.9%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	56.0%	57.3%	57.6%	54.8%	54.0%	55.9%
Preferred Stock	0.4%	0.4%	0.4%	0.5%	0.5%	0.4%
Common Equity	<u>43.7%</u>	<u>42.3%</u>	<u>41.9%</u>	<u>44.7%</u>	<u>45.5%</u>	<u>43.6%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>99.9%</u>
Rate of Return on Book Common Equity	14.5%	11.9%	13.1%	12.7%	12.3%	12.9%
Operating Ratio (2)	86.1%	85.7%	88.3%	84.9%	85.3%	86.1%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	5.04 x	3.75 x	3.63 x	3.70 x	3.64 x	3.95 x
Post-tax: All Interest Charges	3.46 x	2.67 x	2.61 x	2.69 x	2.64 x	2.81 x
Overall Coverage: All Int. & Pfd. Div.	3.44 x	2.66 x	2.55 x	2.62 x	2.57 x	2.77 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	5.03 x	3.73 x	3.58 x	3.67 x	3.60 x	3.92 x
Post-tax: All Interest Charges	3.44 x	2.65 x	2.57 x	2.66 x	2.61 x	2.79 x
Overall Coverage: All Int. & Pfd. Div.	3.43 x	2.64 x	2.51 x	2.59 x	2.53 x	2.74 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.7%	1.2%	2.4%	1.7%	2.0%	1.6%
Effective Income Tax Rate	39.2%	39.8%	38.5%	37.7%	38.0%	38.6%
Internal Cash Generation/ Construction (4)	136.5%	78.2%	82.5%	84.8%	66.5%	89.7%
Gross Cash Flow/ Avg. Total Debt(5)	23.1%	17.4%	18.7%	21.6%	19.3%	20.0%
Gross Cash Flow Interest Coverage(6)	5.81 x	4.10 x	3.79 x	4.29 x	4.01 x	4.40 x
Common Dividend Coverage (7)	3.75 x	3.05 x	2.89 x	3.00 x	2.60 x	3.06 x

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
1999-2003, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (6) Gross Cash Flow plus interest charges divided by interest charges.
- (7) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:

The Gas Group includes companies that (i) are engaged in the natural gas distribution business, (ii) have publicly-traded common stock, (iii) are contained in The Value Line Investment Survey, (iv) operate in the Northeastern and Southeastern regions of the U.S., (v) have not cut or omitted their dividend since 2000, (vi) are not currently the target of a merger or acquisition, and (vii) have at least 80% of their assets represented by gas operations.

	<u>Corporate</u> <u>Credit Rating (1)</u>		<u>Common</u> <u>Stock</u> <u>Traded</u>	<u>S&P Common</u> <u>Stock</u> <u>Ranking</u>	<u>Value Line</u> <u>Beta</u>
	<u>Moody's</u>	<u>S&P</u>			
AGL Resources, Inc..	A3	A-	NYSE	A-	.80
New Jersey Resources Corp.	Aa3	A+	NYSE	A	.75
Piedmont Natural Gas Co.	A3	A	NYSE	A-	.75
South Jersey Industries, Inc.	Baa1	BBB+	NYSE	B+	.55
WGL Holdings, Inc.	<u>A2</u>	<u>AA-</u>	NYSE	<u>B+</u>	<u>.75</u>
Average	<u>A2</u>	<u>A</u>		<u>B</u>	<u>.72</u>

Notes: (1) Ratings are those of utility subsidiaries.

Source of Information: Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation
S&P Stock Guide

Standard & Poor's Public Utilities
Capitalization and Financial Statistics (1)
1999-2003, Inclusive

	2003 (P)	2002	2001 (Millions of Dollars)	2000	1999	
Amount of Capital Employed						
Permanent Capital	\$ 14,116.2	\$ 14,111.6	\$ 13,848.1	\$ 11,801.3	\$ 10,238.5	
Short-Term Debt	\$ 265.7	\$ 936.6	\$ 1,195.1	\$ 1,649.0	\$ 889.4	
Total Capital	<u>\$ 14,381.9</u>	<u>\$ 15,048.2</u>	<u>\$ 15,043.2</u>	<u>\$ 13,450.3</u>	<u>\$ 11,127.9</u>	
Market-Based Financial Ratios						<u>Average</u>
Price-Earnings Multiple	13 x	15 x	17 x	18 x	17 x	16 x
Market/Book Ratio	150.5%	153.9%	194.3%	188.8%	183.3%	174.2%
Dividend Yield	4.1%	4.8%	3.9%	4.7%	4.8%	4.5%
Dividend Payout Ratio	59.6%	72.8%	61.6%	82.6%	71.3%	69.6%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	60.5%	61.7%	58.8%	57.5%	56.0%	58.9%
Preferred Stock	1.9%	2.5%	3.0%	2.7%	2.9%	2.6%
Common Equity	<u>37.6%</u>	<u>35.8%</u>	<u>38.2%</u>	<u>39.8%</u>	<u>41.1%</u>	<u>38.5%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	61.9%	64.6%	62.8%	63.0%	59.5%	62.3%
Preferred Stock	1.9%	2.4%	2.7%	2.4%	2.7%	2.4%
Common Equity	<u>36.2%</u>	<u>33.1%</u>	<u>34.5%</u>	<u>34.6%</u>	<u>37.8%</u>	<u>35.2%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity	10.3%	6.9%	14.2%	8.3%	12.4%	10.4%
Operating Ratio (2)	82.3%	85.1%	85.5%	86.8%	83.0%	84.5%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	2.56 x	2.28 x	2.81 x	2.55 x	3.14 x	2.67 x
Post-tax: All Interest Charges	2.10 x	1.89 x	2.19 x	2.01 x	2.40 x	2.12 x
Overall Coverage: All Int. & Pfd. Div.	2.06 x	1.85 x	2.14 x	1.95 x	2.31 x	2.06 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	2.52 x	2.23 x	2.78 x	2.52 x	3.12 x	2.63 x
Post-tax: All Interest Charges	2.05 x	1.85 x	2.15 x	1.98 x	2.38 x	2.08 x
Overall Coverage: All Int. & Pfd. Div.	2.02 x	1.81 x	2.10 x	1.92 x	2.29 x	2.03 x
Quality of Earnings & Cash Flow						
AFUDC/Income Avail. for Common Equity	1.7%	2.6%	2.0%	5.3%	1.7%	2.7%
Effective Income Tax Rate	41.2%	29.3%	30.6%	35.6%	35.0%	34.3%
Internal Cash Generation/Construction (4)	131.0%	93.0%	95.9%	87.0%	108.5%	103.1%
Gross Cash Flow/ Avg. Total Debt(5)	19.7%	17.4%	17.7%	17.7%	21.5%	18.8%
Gross Cash Flow Interest Coverage(6)	4.27 x	3.86 x	3.58 x	3.53 x	4.14 x	3.89 x
Common Dividend Coverage (7)	5.62 x	4.34 x	4.56 x	4.28 x	3.77 x	4.51 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
1999-2003, Inclusive

Notes:

- (P) = Preliminary, because all companies have not reported their 2003 financial results to Compustat.
- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
 - (2) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
 - (3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
 - (4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
 - (5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
 - (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
 - (7) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities
Company Identities (1)

	Ticker	Credit Rating (2)		Common Stock Traded	S&P Stock Ranking	Value Line Beta
		Moody's	S&P			
Allegheny Energy	AYE	Ba1	BB-	NYSE	A-	1.60
Ameren Corporation	AEE	A2	A-	NYSE	A-	0.75
American Electric Power	AEP	Baa2	BBB+	NYSE	B+	1.15
CenterPoint Energy	CNP	Baa3	BBB	NYSE	B	0.55
CINergy Corp.	CIN	Baa1	BBB+	NYSE	B	0.80
CMS Energy	CMS	Ba1	BB	NYSE	B	1.30
Consolidated Edison	ED	A1	A+	NYSE	A-	0.60
Constellation Energy Group	CEG	A2	A-	NYSE	A-	0.85
DTE Energy Co.	DTE	Baa1	BBB+	NYSE	B+	0.70
Dominion Resources	D	A3	A-	NYSE	B	0.85
Duke Energy	DUK	A3	A-	NYSE	A-	1.10
Edison Int'l	EIX	Ba3	BB	NYSE	B	1.05
El Paso Corp.	EP	B1	BB	NYSE	B+	1.85
Entergy Corp.	ETR	Baa3	BBB	NYSE	B	0.75
Exelon Corp.	EXC	A3	A-	NYSE	B	0.70
FPL Group	FPL	A1	A	NYSE	B+	0.70
FirstEnergy Corp.	FE	Baa2	BBB	NYSE	B+	0.75
Keyspan Corp.	KSE	A3	A	NYSE	B+	0.80
Kinder Morgan	KMI	Baa2	BBB	NYSE	B	0.80
NICOR Inc.	GAS	Aa2	AA	NYSE	B+	1.05
NiSource Inc.	NI	Baa2	BBB	NYSE	A	0.75
PG&E Corp.	PCG	Caa2	D	NYSE	B	1.00
PPL Corp.	PPL	Baa1	A-	NYSE	B+	0.95
Peoples Energy	PGL	Aa3	A-	NYSE	B+	0.80
Pinnacle West Capital	PNW	Baa1	BBB	NYSE	A-	0.85
Progress Energy, Inc.	PGN	Baa1	BBB+	NYSE	A-	0.80
Public Serv. Enterprise Inc.	PEG	Baa1	BBB	NYSE	B+	0.85
Sempra Energy	SRE	A2	A+	NYSE	NR	0.90
Southern Co.	SO	A2	A	NYSE	A-	0.65
TECO Energy	TE	A2	BBB	NYSE	A	0.90
TXU CORP	TXU	Baa3	BBB	NYSE	B	1.00
Williams Cos.	WMB	Caa1	B+	NYSE	B	2.40
Xcel Energy Inc	XEL	Baa1	BBB+	NYSE	B+	0.80
Average for S&P Utilities		<u>Baa2</u>	<u>BBB</u>		<u>B+</u>	<u>0.95</u>

Note: * (1) Includes companies contained in S&P Utility Compustat. AES Corp., Calpine Corp., and Dynegy, Inc. are not included.

(2) Ratings are those of utility subsidiaries

Source of Information: Moody's Investors Service
Standard & Poor's Corporation
Standard & Poor's Stock Guide
Value Line Investment Survey for Windows

Bay State Gas Company
Capitalization and Related Capital Structure Ratios
For Ratesetting Purposes
Actual and Pro Forma at December 31, 2004

	<u>Actual Amount Outstanding</u>	<u>Ratesetting Adjustments</u>	<u>Pro Forma Adjustments</u>	<u>Ratesetting Capital Structure</u>	<u>Ratios</u>
Long Term Debt	\$ 178,500,000 ⁽¹⁾	\$ -	\$ 5,000,000 ⁽⁴⁾	\$ 183,500,000	46.05%
Common Equity					
Common Stock Issued	100				
Premium on Capital Stock	523,771,866				
Other Paid-In Capital	871,844				
Earned Surplus	41,703,840 ⁽²⁾				
Total Common Equity	<u>566,347,650</u>	<u>351,406,947 ⁽³⁾</u>	<u>-</u>	<u>214,940,703</u>	<u>53.95%</u>
Total Permanent Capital	<u>\$ 744,847,650</u>	<u>\$ 351,406,947</u>	<u>\$ 5,000,000</u>	<u>\$ 398,440,703</u>	<u>100.00%</u>

Notes: (1) Includes current portion of long-term debt.

(2) Excludes OCI Deficit

(3) Removes the following items:

Investment in Associated Companies

\$ 117,973,478

Goodwill

233,433,469

Total

\$ 351,406,947

(4) Reflects 2005 financing activity:

6.58% notes, due June 21, 2005

\$ (10,000,000)

6% notes - pro forma

15,000,000

Total

\$ 5,000,000

Source of Information: Company's 2004 Annual Return to the D.T.E. and Company provided data

Bay State Gas Company
Calculation of the Embedded Cost of Long Term Debt
Actual at December 31, 2004

<u>Class and Series of Obligation</u>	<u>Date of Maturity</u>	<u>Rate per Cent</u>	<u>Amount Outstanding</u>	<u>Interest Expense</u>	<u>Amortization of Debt Expense</u>	<u>Debt Expense</u>
9.20% notes, due June 6, 2011	06/06/11	9.20%	\$ 8,500,000	\$ 782,000	\$ 7,584	\$ 789,584
6.58% notes, due June 21, 2005	06/21/05	6.58%	10,000,000	658,000	51,000	709,000
7.625% notes, due June 19, 2023	06/18/23	7.625%	-	-	-	-
6.43% notes, due Dec. 15, 2025	12/15/25	6.43%	10,000,000	643,000	71,627	714,627
6.26% notes, due Feb. 15, 2028	02/15/28	6.26%	30,000,000	1,878,000	191,929	2,069,929
5.40% notes, due March 21, 2013	03/21/13	5.40%	50,000,000	2,700,000	62,772 (1)	2,762,772
5.58% notes, due Dec. 20, 2019	12/20/19	5.58%	35,000,000	1,953,000	38,028 (2)	1,991,028
5.94% notes, due Dec. 20, 2024	12/20/24	5.94%	35,000,000	2,079,000	28,080 (2)	2,107,080
Total Long -Term Debt			<u>\$ 178,500,000</u>	<u>\$ 10,693,000</u>	<u>\$ 451,020</u>	<u>\$ 11,144,020</u>

Effective Interest Rate

6.24%

Notes: (1) Includes annual amortization of Call Premium and Unamortized debt expense on issue that was redeemed:

Call Premium	\$ 391,200
Unamortized debt expense	207,420
Subtotal	598,620
Write down expense	(144,666)
Total	<u>\$ 453,954</u>

Amortization period:

12/01/05 03/21/13

88

Monthly

\$ 5,159

Annual

\$ 61,908

(2) Includes annual amortization of Call Premium and Unamortized debt expense on issue that was redeemed:

Call Premium	\$ 381,300
Unamortized debt expense	1,283,360
Subtotal	1,664,660
Write down expense	(620,652)
Total	<u>\$ 1,044,028</u>

Amortization period:

12/01/05 12/20/19

169

Monthly

\$ 3,089

Annual

\$ 37,068

12/01/05 12/20/24

229

\$ 2,280

\$ 27,360

Source of Information: Company's 2004 Annual Return to the D.T.E. and Company provided data

Bay State Gas Company
Calculation of the Embedded Cost of Long Term Debt
Pro Forma at December 31, 2004

<u>Class and Series of Obligation</u>	<u>Date of Maturity</u>	<u>Rate per Cent</u>	<u>Amount Outstanding</u>	<u>Interest Expense</u>	<u>Amortization of Debt Expense</u>	<u>Debt Expense</u>
9.20% notes, due June 6, 2011	06/06/11	9.20%	\$ 8,500,000	\$ 782,000	\$ 7,584	\$ 789,584
6.58% notes, due June 21, 2005	06/21/05	6.58%	-	-	-	-
6.43% notes, due Dec. 15, 2025	12/15/25	6.43%	10,000,000	643,000	71,627	714,627
6.26% notes, due Feb. 15, 2028	02/15/28	6.26%	30,000,000	1,878,000	191,929	2,069,929
5.40% notes, due March 21, 2013	03/21/13	5.40%	50,000,000	2,700,000	62,772 (1)	2,762,772
5.58% notes, due Dec. 20, 2019	12/20/19	5.58%	35,000,000	1,953,000	38,028 (2)	1,991,028
5.94% notes, due Dec. 20, 2024	12/20/24	5.94%	35,000,000	2,079,000	28,080 (2)	2,107,080
6% notes - pro forma		6.00%	15,000,000	900,000	720	900,720
Total Long -Term Debt			<u>\$ 183,500,000</u>	<u>\$ 10,935,000</u>	<u>\$ 400,740</u>	<u>\$ 11,335,740</u>

Effective Interest Rate

6.18%

Notes: (1) Includes annual amortization of Call Premium and Unamortized debt expense on issue that was redeemed:

Call Premium	\$ 391,200
Unamortized debt expense	207,420
Subtotal	598,620
Write down expense	(144,666)
Total	<u>\$ 453,954</u>

Amortization period:

12/01/05 03/21/13

	<u>Monthly</u>	<u>Annual</u>
88	\$ 5,159	\$ 61,908

(2) Includes annual amortization of Call Premium and Unamortized debt expense on issue that was redeemed:

Call Premium	\$ 381,300
Unamortized debt expense	1,283,380
Subtotal	1,664,680
Write down expense	(620,652)
Total	<u>\$ 1,044,028</u>

Amortization period:

12/01/05 12/20/19

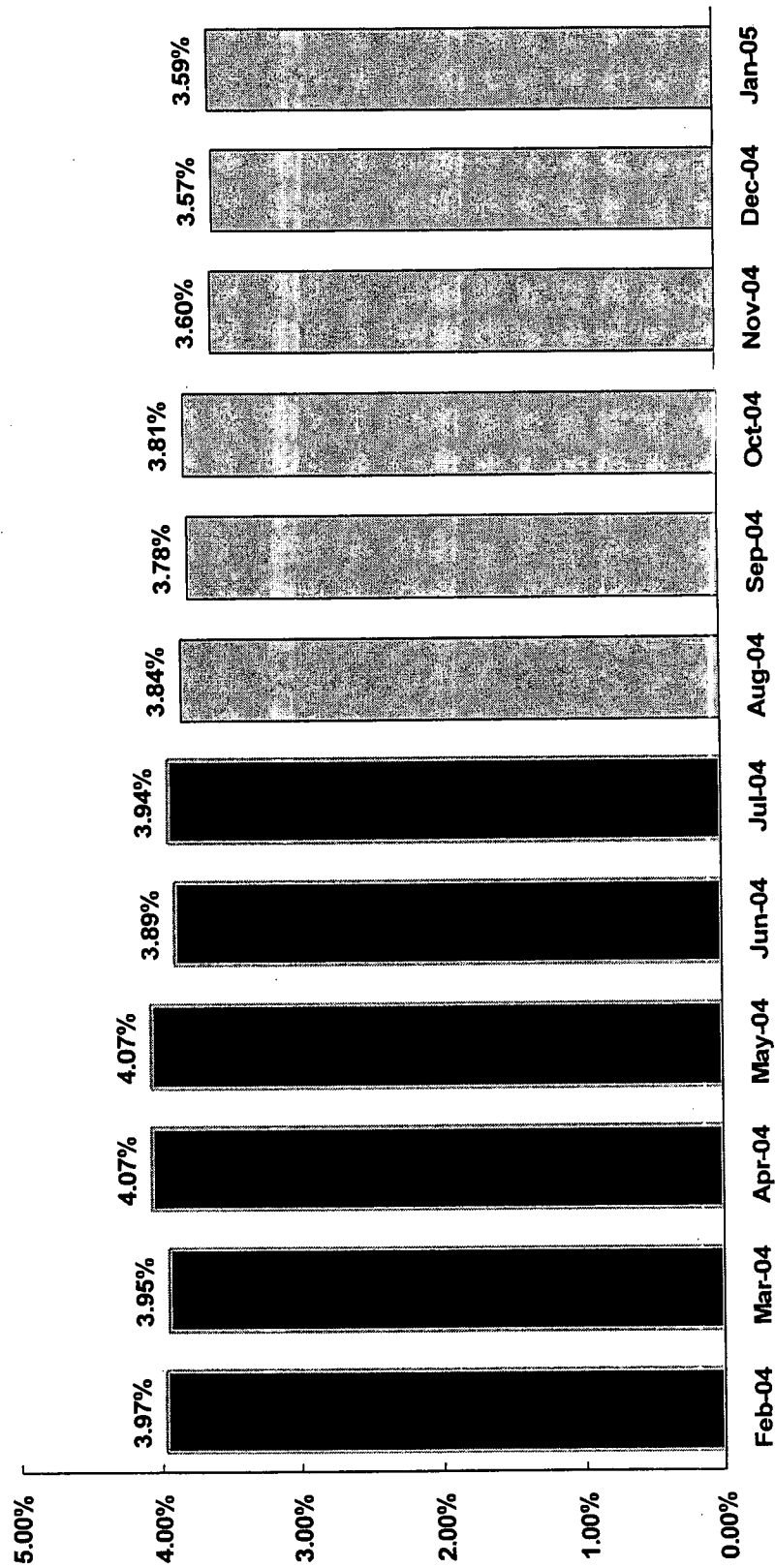
12/01/05 12/20/24

	<u>Monthly</u>	<u>Annual</u>
169	\$ 3,089	\$ 37,068
229	\$ 2,280	\$ 27,360

Source of Information: Company's 2004 Annual Return to the D.T.E. and Company provided data

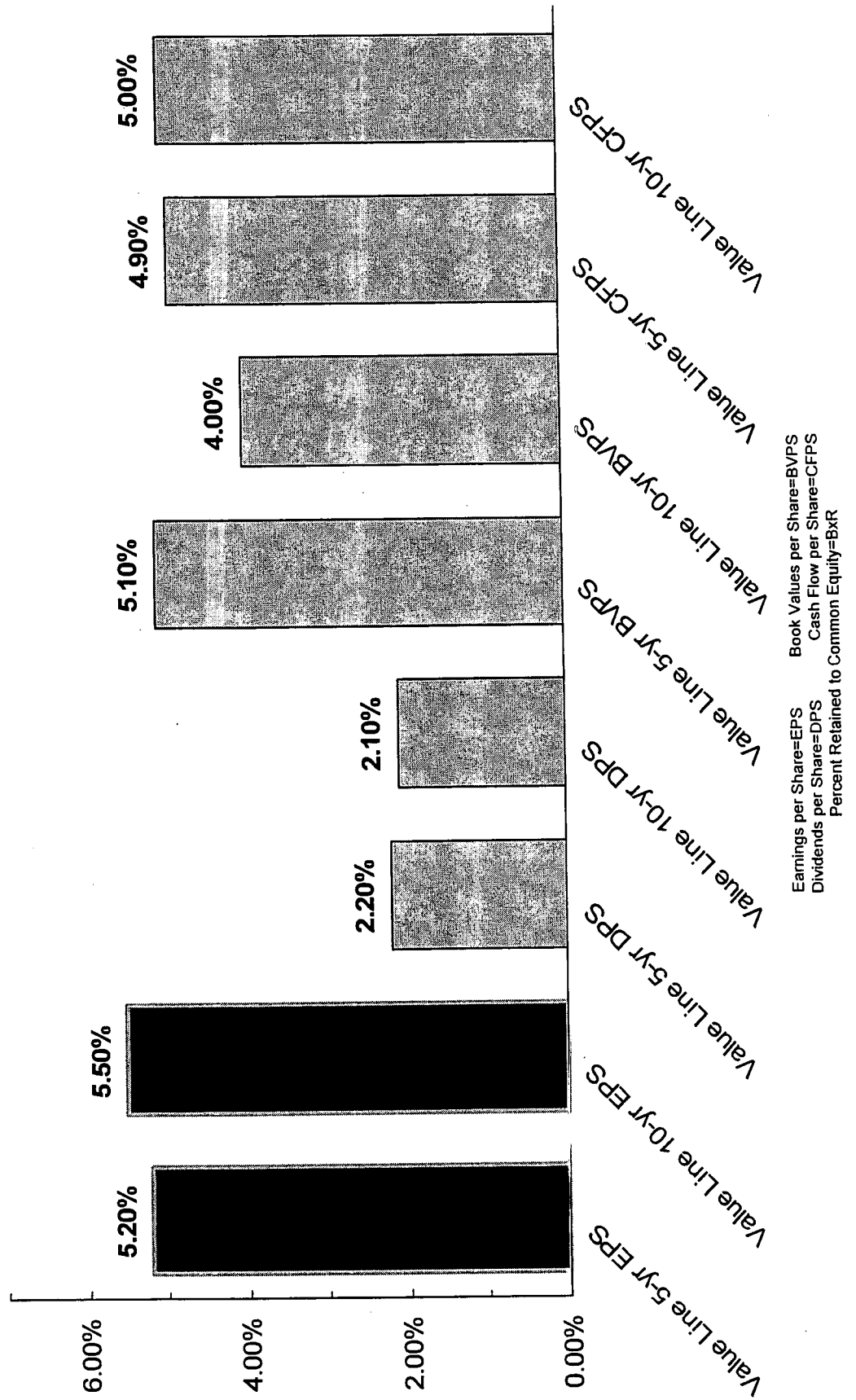
Gas Group

Monthly Dividend Yields



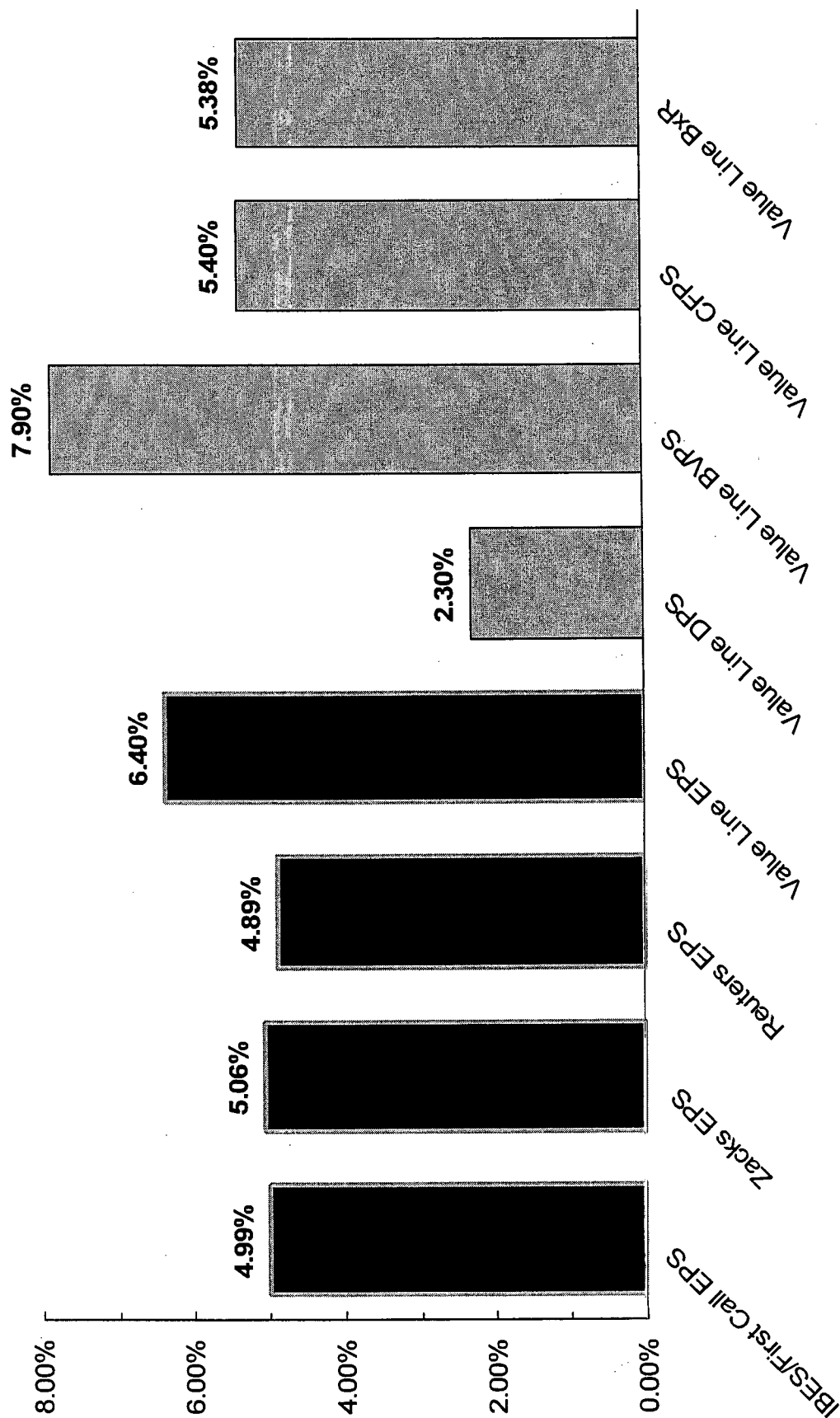
Gas Group

Historical Growth Rates



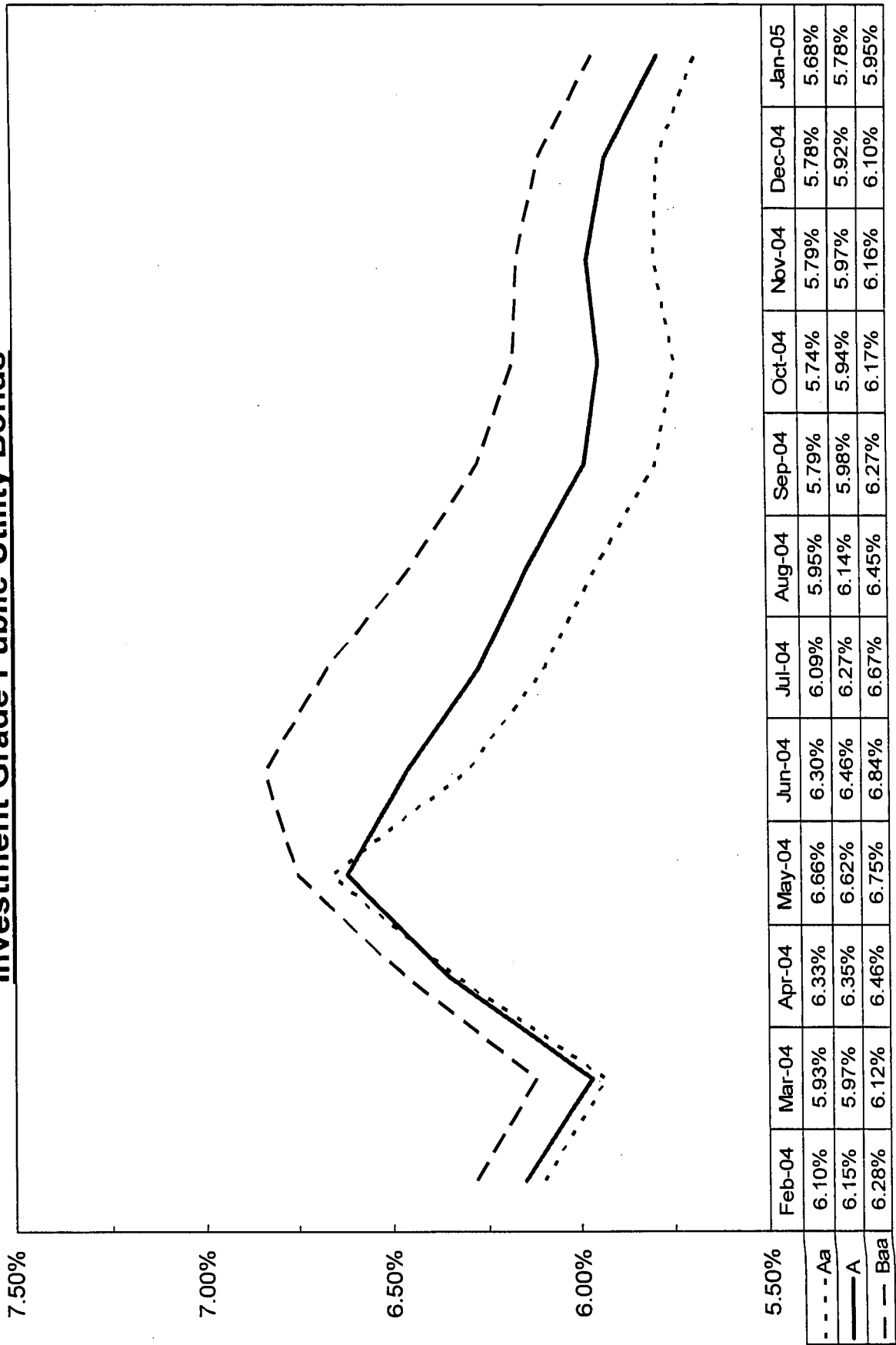
Gas Group

Five-Year Projected Growth Rates



Earnings per Share=EPS Book Values per Share=BVPS
Dividends per Share=DPS Cash Flow per Share=CFPS
Percent Retained to Common Equity=BxR

Interest Rates for Investment Grade Public Utility Bonds

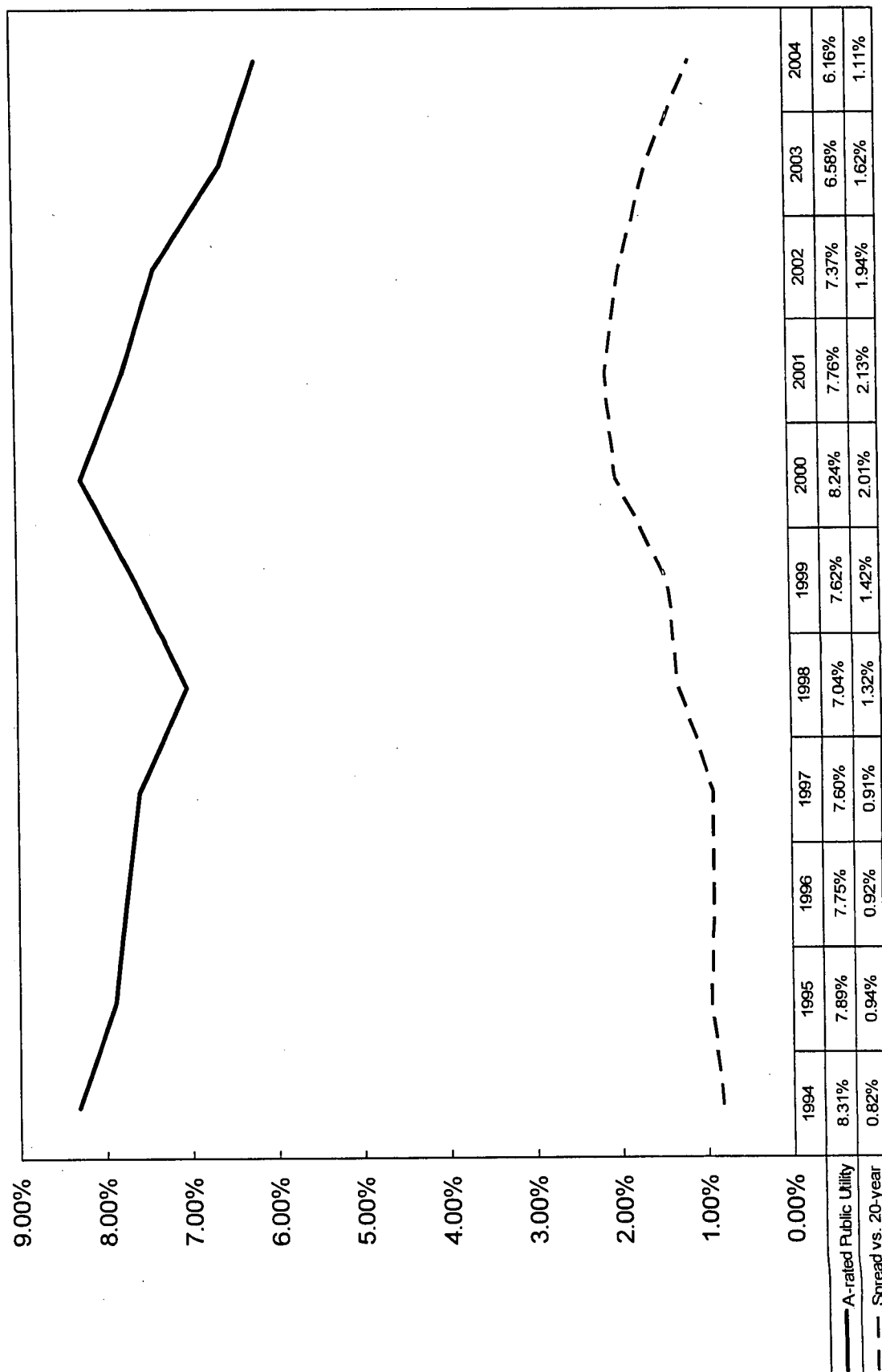


**Interest Rates for Investment Grade Public Utility Bonds
Yearly for 1999-2003
and the Twelve Months Ended January 2005**

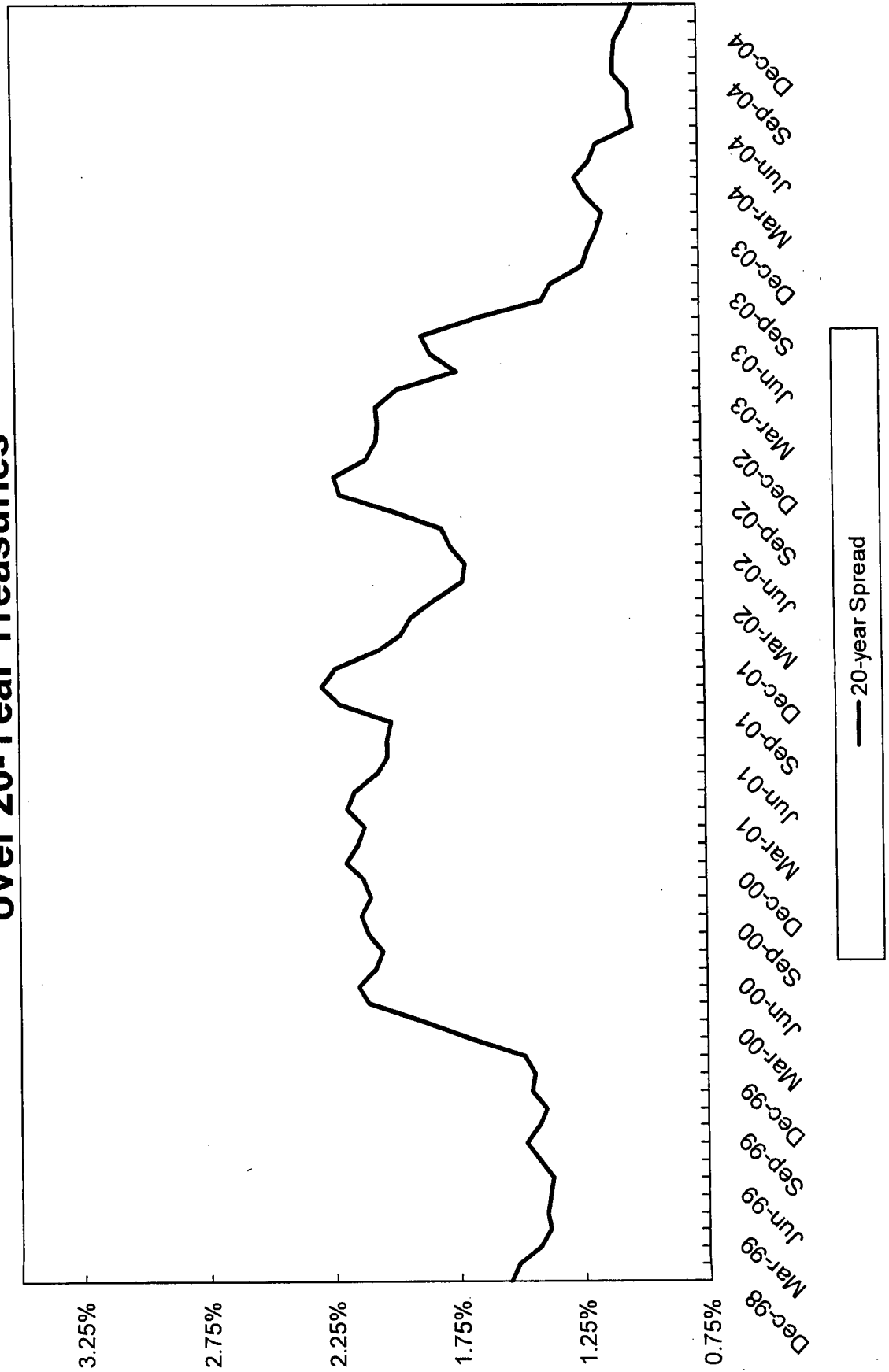
<u>Years</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>	<u>Average</u>
1999	7.51%	7.62%	7.88%	7.56%
2000	8.06%	8.24%	8.36%	8.14%
2001	7.58%	7.76%	8.03%	7.72%
2002	7.19%	7.37%	8.02%	7.53%
2003	6.40%	6.58%	6.84%	6.61%
Five-Year Average	<u>7.35%</u>	<u>7.51%</u>	<u>7.83%</u>	<u>7.51%</u>
2004	6.04%	6.16%	6.40%	6.20%
<u>Months</u>				
Feb-04	6.10%	6.15%	6.28%	6.17%
Mar-04	5.93%	5.97%	6.12%	6.01%
Apr-04	6.33%	6.35%	6.46%	6.38%
May-04	6.66%	6.62%	6.75%	6.68%
Jun-04	6.30%	6.46%	6.84%	6.53%
Jul-04	6.09%	6.27%	6.67%	6.34%
Aug-04	5.95%	6.14%	6.45%	6.18%
Sep-04	5.79%	5.98%	6.27%	6.01%
Oct-04	5.74%	5.94%	6.17%	5.95%
Nov-04	5.79%	5.97%	6.16%	5.97%
Dec-04	5.78%	5.92%	6.10%	5.93%
Jan-05	5.68%	5.78%	5.95%	5.80%
Twelve-Month Average	<u>6.01%</u>	<u>6.13%</u>	<u>6.35%</u>	<u>6.16%</u>
Six-Month Average	<u>5.79%</u>	<u>5.96%</u>	<u>6.18%</u>	<u>5.97%</u>
Three-Month Average	<u>5.75%</u>	<u>5.89%</u>	<u>6.07%</u>	<u>5.90%</u>

Source: Mergent Bond Record

Yields on A-rated Public Utility Bonds and Spreads over 20-Year Treasuries



Interest Rate Spreads A-rated Public Utility Bonds over 20-Year Treasuries



Yield Spread
A rated Public Utility Bonds
over 20-Year Treasuries

Year	A-rated Public Utility	20-Year Treasuries	
		Yield	Spread
Dec-98	6.91%	5.36%	1.55%
Jan-99	6.97%	5.45%	1.52%
Feb-99	7.09%	5.66%	1.43%
Mar-99	7.26%	5.87%	1.39%
Apr-99	7.22%	5.82%	1.40%
May-99	7.47%	6.08%	1.39%
Jun-99	7.74%	6.36%	1.38%
Jul-99	7.71%	6.28%	1.43%
Aug-99	7.91%	6.43%	1.48%
Sep-99	7.93%	6.50%	1.43%
Oct-99	8.06%	6.66%	1.40%
Nov-99	7.94%	6.48%	1.46%
Dec-99	8.14%	6.69%	1.45%
Jan-00	8.35%	6.86%	1.49%
Feb-00	8.25%	6.54%	1.71%
Mar-00	8.28%	6.38%	1.90%
Apr-00	8.29%	6.18%	2.11%
May-00	8.70%	6.55%	2.15%
Jun-00	8.36%	6.28%	2.08%
Jul-00	8.25%	6.20%	2.05%
Aug-00	8.13%	6.02%	2.11%
Sep-00	8.23%	6.09%	2.14%
Oct-00	8.14%	6.04%	2.10%
Nov-00	8.11%	5.98%	2.13%
Dec-00	7.84%	5.64%	2.20%
Jan-01	7.80%	5.65%	2.15%
Feb-01	7.74%	5.62%	2.12%
Mar-01	7.68%	5.49%	2.19%
Apr-01	7.94%	5.78%	2.16%
May-01	7.99%	5.92%	2.07%
Jun-01	7.85%	5.82%	2.03%
Jul-01	7.78%	5.75%	2.03%
Aug-01	7.59%	5.58%	2.01%
Sep-01	7.75%	5.53%	2.22%
Oct-01	7.63%	5.34%	2.29%
Nov-01	7.57%	5.33%	2.24%
Dec-01	7.83%	5.76%	2.07%
Jan-02	7.66%	5.69%	1.97%
Feb-02	7.54%	5.61%	1.93%
Mar-02	7.76%	5.93%	1.83%
Apr-02	7.57%	5.85%	1.72%
May-02	7.52%	5.81%	1.71%
Jun-02	7.42%	5.65%	1.77%
Jul-02	7.31%	5.51%	1.80%
Aug-02	7.17%	5.19%	1.98%
Sep-02	7.08%	4.87%	2.21%
Oct-02	7.23%	5.00%	2.23%
Nov-02	7.14%	5.04%	2.10%
Dec-02	7.07%	5.01%	2.06%
Jan-03	7.07%	5.02%	2.05%
Feb-03	6.93%	4.87%	2.06%
Mar-03	6.79%	4.82%	1.97%
Apr-03	6.64%	4.91%	1.73%
May-03	6.36%	4.52%	1.84%
Jun-03	6.21%	4.34%	1.87%
Jul-03	6.57%	4.92%	1.65%
Aug-03	6.78%	5.39%	1.39%
Sep-03	6.56%	5.21%	1.35%
Oct-03	6.43%	5.21%	1.22%
Nov-03	6.37%	5.17%	1.20%
Dec-03	6.27%	5.11%	1.16%
Jan-04	6.15%	5.01%	1.14%
Feb-04	6.15%	4.94%	1.21%
Mar-04	5.97%	4.72%	1.25%
Apr-04	6.35%	5.16%	1.19%
May-04	6.62%	5.46%	1.16%
Jun-04	6.46%	5.45%	1.01%
Jul-04	6.27%	5.24%	1.03%
Aug-04	6.14%	5.07%	1.07%
Sep-04	5.98%	4.89%	1.09%
Oct-04	5.94%	4.85%	1.09%
Nov-04	5.97%	4.89%	1.08%
Dec-04	5.92%	4.88%	1.04%
Jan-05	5.78%	4.77%	1.01%

S&P Composite Index and S&P Public Utility Index
Long-Term Corporate and Public Utility Bonds
Yearly Total Returns
1928-2004

Year	S & P Composite Index	S & P Public Utility Index	Long Term Corporate Bonds	Public Utility Bonds
1928	43.61%	57.47%	2.84%	3.08%
1929	-8.42%	11.02%	3.27%	2.34%
1930	-24.90%	-21.96%	7.98%	4.74%
1931	-43.34%	-35.90%	-1.85%	-11.11%
1932	-8.19%	-0.54%	10.82%	7.25%
1933	53.99%	-21.87%	10.38%	-3.82%
1934	-1.44%	-20.41%	13.84%	22.61%
1935	47.67%	76.63%	9.61%	16.03%
1936	33.92%	20.69%	6.74%	8.30%
1937	-35.03%	-37.04%	2.75%	-4.05%
1938	31.12%	22.45%	6.13%	8.11%
1939	-0.41%	11.26%	3.97%	6.76%
1940	-9.78%	-17.15%	3.39%	4.45%
1941	-11.59%	-31.57%	2.73%	2.15%
1942	20.34%	15.39%	2.60%	3.81%
1943	25.90%	46.07%	2.83%	7.04%
1944	19.75%	18.03%	4.73%	3.29%
1945	36.44%	53.33%	4.08%	5.92%
1946	-8.07%	1.26%	1.72%	2.98%
1947	5.71%	-13.16%	-2.34%	-2.19%
1948	5.50%	4.01%	4.14%	2.65%
1949	18.79%	31.39%	3.31%	7.16%
1950	31.71%	3.25%	2.12%	2.01%
1951	24.02%	18.63%	-2.69%	-2.77%
1952	18.37%	19.25%	3.52%	2.99%
1953	-0.99%	7.85%	3.41%	2.08%
1954	52.62%	24.72%	5.39%	7.57%
1955	31.56%	11.26%	0.48%	0.12%
1956	6.56%	5.06%	-6.81%	-6.25%
1957	-10.78%	6.36%	8.71%	3.58%
1958	43.36%	40.70%	-2.22%	0.18%
1959	11.96%	7.49%	-0.97%	-2.29%
1960	0.47%	20.26%	9.07%	9.01%
1961	26.89%	29.33%	4.82%	4.65%
1962	-8.73%	-2.44%	7.95%	6.55%
1963	22.80%	12.36%	2.19%	3.44%
1964	16.48%	15.91%	4.77%	4.94%
1965	12.45%	4.67%	-0.46%	0.50%
1966	-10.06%	-4.48%	0.20%	-3.45%
1967	23.98%	-0.63%	-4.95%	-3.63%
1968	11.06%	10.32%	2.57%	1.87%
1969	-8.50%	-15.42%	-8.09%	-6.66%
1970	4.01%	16.56%	18.37%	15.90%
1971	14.31%	2.41%	11.01%	11.59%
1972	18.98%	8.15%	7.26%	7.19%
1973	-14.66%	-18.07%	1.14%	2.42%
1974	-26.47%	-21.55%	-3.06%	-5.28%
1975	37.20%	44.49%	14.64%	15.50%
1976	23.84%	31.81%	18.65%	19.04%
1977	-7.18%	8.64%	1.71%	5.22%
1978	6.56%	-3.71%	-0.07%	-0.98%
1979	18.44%	13.58%	-4.18%	-2.75%
1980	32.42%	15.08%	-2.76%	-0.23%
1981	-4.91%	11.74%	-1.24%	4.27%
1982	21.41%	26.52%	42.56%	33.52%
1983	22.51%	20.01%	6.26%	10.33%
1984	6.27%	26.04%	16.86%	14.82%
1985	32.16%	33.05%	30.09%	26.48%
1986	18.47%	28.53%	19.85%	18.16%
1987	5.23%	-2.92%	-0.27%	3.02%
1988	16.81%	18.27%	10.70%	10.19%
1989	31.49%	47.80%	16.23%	15.61%
1990	-3.17%	-2.57%	6.78%	8.13%
1991	30.55%	14.61%	19.89%	19.25%
1992	7.67%	8.10%	9.39%	8.65%
1993	9.99%	14.41%	13.19%	10.59%
1994	1.31%	-7.94%	-5.76%	-4.72%
1995	37.43%	42.15%	27.20%	22.81%
1996	23.07%	3.14%	1.40%	3.04%
1997	33.36%	24.69%	12.95%	11.39%
1998	28.58%	14.82%	10.76%	9.44%
1999	21.04%	-8.85%	-7.45%	-1.69%
2000	-9.11%	59.70%	12.87%	9.45%
2001	-11.88%	-30.41%	10.65%	5.85%
2002	-22.10%	-30.04%	16.33%	1.63%
2003	28.70%	26.11%	5.27%	10.01%
2004	10.87%	24.22%	8.72%	6.03%
Geometric Mean	10.10%	8.55%	5.89%	5.50%
Arithmetic Mean	12.08%	10.94%	6.22%	5.79%
Standard Deviation	20.37%	22.81%	8.67%	7.98%
Median	14.31%	11.26%	4.14%	4.65%

**Tabulation of Risk Rate Differentials for
S&P Public Utility Index and Public Utility Bonds
For the Years 1928-2004, 1952-2004, 1974-2004, and 1979-2004**

<u>Total Returns</u>	<u>Range</u>		<u>Midpoint</u>	<u>Point Estimate</u>	<u>Average of the Midpoint of Range and Point Estimate</u>
	<u>Geometric Mean</u>	<u>Median</u>		<u>Arithmetic Mean</u>	
<u>1928-2004</u>					
S&P Public Utility Index	8.55%	11.26%		10.94%	
Public Utility Bonds	<u>5.50%</u>	<u>4.65%</u>		<u>5.79%</u>	
Risk Differential	<u>3.05%</u>	<u>6.61%</u>	<u>4.83%</u>	<u>5.15%</u>	<u>4.99%</u>
<u>1952-2004</u>					
S&P Public Utility Index	10.71%	12.36%		12.29%	
Public Utility Bonds	<u>6.27%</u>	<u>5.22%</u>		<u>6.59%</u>	
Risk Differential	<u>4.44%</u>	<u>7.14%</u>	<u>5.79%</u>	<u>5.70%</u>	<u>5.75%</u>
<u>1974-2004</u>					
S&P Public Utility Index	12.41%	14.82%		14.50%	
Public Utility Bonds	<u>8.89%</u>	<u>9.44%</u>		<u>9.25%</u>	
Risk Differential	<u>3.52%</u>	<u>5.38%</u>	<u>4.45%</u>	<u>5.25%</u>	<u>4.85%</u>
<u>1979-2004</u>					
S&P Public Utility Index	13.01%	14.95%		14.99%	
Public Utility Bonds	<u>9.39%</u>	<u>9.45%</u>		<u>9.74%</u>	
Risk Differential	<u>3.62%</u>	<u>5.50%</u>	<u>4.56%</u>	<u>5.25%</u>	<u>4.91%</u>

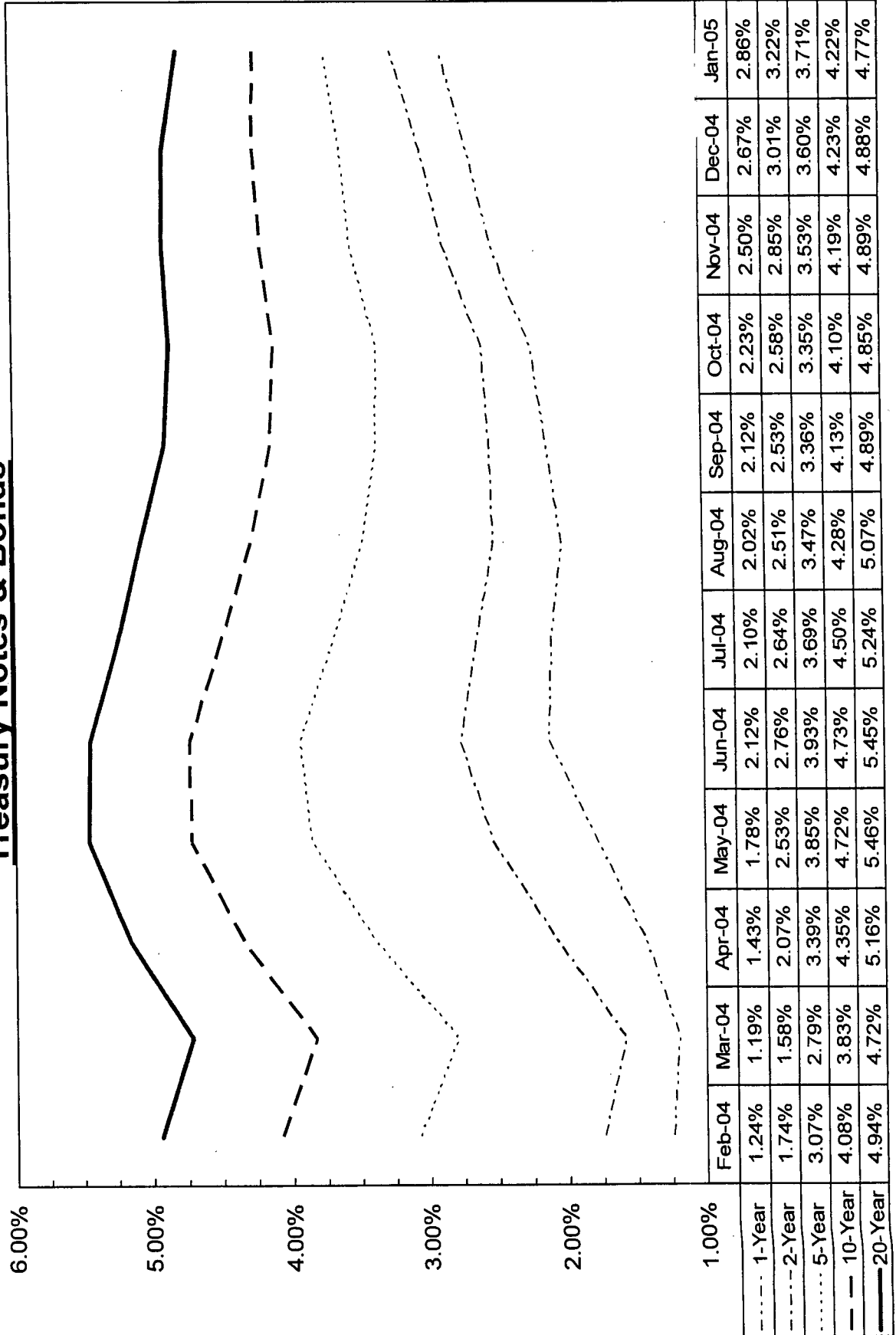
Value Line Betas

Gas Group

AGL Resources, Inc.	0.80
New Jersey Resources Corp.	0.75
Piedmont Natural Gas Co.	0.75
South Jersey Industries, Inc.	0.55
WGL Holdings, Inc.	<u>0.75</u>
Average	<u><u>0.72</u></u>

Source of Information:
Value Line Investment Survey
December 17, 2004

Yields on Treasury Notes & Bonds



**Interest Rates for Treasury Constant Maturities
Yearly for 1999-2003
and the Twelve Months Ended January 2005**

<u>Years</u>	<u>1-Year</u>	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>
1999	5.08%	5.43%	5.49%	5.55%	5.79%	5.65%	6.20%
2000	6.11%	6.26%	6.22%	6.16%	6.20%	6.03%	6.23%
2001	3.49%	3.83%	4.09%	4.56%	4.88%	5.02%	5.63%
2002	2.00%	2.64%	3.10%	3.82%	4.30%	4.61%	5.43%
2003	1.24%	1.65%	2.11%	2.97%	3.52%	4.02%	4.96%
Five-Year Average	<u>3.58%</u>	<u>3.96%</u>	<u>4.20%</u>	<u>4.61%</u>	<u>4.94%</u>	<u>5.07%</u>	<u>5.69%</u>
2004	1.89%	2.38%	2.78%	3.43%	3.87%	4.27%	5.05%
<u>Months</u>							
Feb-04	1.24%	1.74%	2.25%	3.07%	3.59%	4.08%	4.94%
Mar-04	1.19%	1.58%	2.00%	2.79%	3.31%	3.83%	4.72%
Apr-04	1.43%	2.07%	2.57%	3.39%	3.89%	4.35%	5.16%
May-04	1.78%	2.53%	3.10%	3.85%	4.31%	4.72%	5.46%
Jun-04	2.12%	2.76%	3.26%	3.93%	4.35%	4.73%	5.45%
Jul-04	2.10%	2.64%	3.05%	3.69%	4.11%	4.50%	5.24%
Aug-04	2.02%	2.51%	2.88%	3.47%	3.90%	4.28%	5.07%
Sep-04	2.12%	2.53%	2.83%	3.36%	3.75%	4.13%	4.89%
Oct-04	2.23%	2.58%	2.85%	3.35%	3.75%	4.10%	4.85%
Nov-04	2.50%	2.85%	3.09%	3.53%	3.88%	4.19%	4.89%
Dec-04	2.67%	3.01%	3.21%	3.60%	3.93%	4.23%	4.88%
Jan-05	2.86%	3.22%	3.39%	3.71%	3.97%	4.22%	4.77%
Twelve-Month Average	<u>2.02%</u>	<u>2.50%</u>	<u>2.87%</u>	<u>3.48%</u>	<u>3.90%</u>	<u>4.28%</u>	<u>5.03%</u>
Six-Month Average	<u>2.40%</u>	<u>2.78%</u>	<u>3.04%</u>	<u>3.50%</u>	<u>3.86%</u>	<u>4.19%</u>	<u>4.89%</u>
Three-Month Average	<u>2.68%</u>	<u>3.03%</u>	<u>3.23%</u>	<u>3.61%</u>	<u>3.93%</u>	<u>4.21%</u>	<u>4.85%</u>

Source: Federal Reserve statistical release H.15

Measures of the Risk-Free Rate

The forecast of Treasury yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated February 1, 2005

<u>Year</u>	<u>Quarter</u>	<u>1-Year Treasury Bill</u>	<u>2-Year Treasury Note</u>	<u>5-Year Treasury Note</u>	<u>10-Year Treasury Note</u>	<u>20-Year Treasury Bond</u>
2005	First	3.0%	3.3%	3.9%	4.4%	5.0%
2005	Second	3.4%	3.7%	4.2%	4.6%	5.2%
2005	Third	3.7%	4.0%	4.4%	4.9%	5.4%
2005	Fourth	4.0%	4.2%	4.6%	5.1%	5.6%
2006	First	4.1%	4.4%	4.8%	5.2%	5.7%
2006	Second	4.3%	4.6%	4.9%	5.3%	5.8%

THE VALUE LINE

Investment Survey®

Part 1 Summary & Index

File at the front of the
Ratings & Reports
binder. Last week's
Summary & Index
should be removed.

January 28, 2005

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SCREENS

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The Median of Estimated
PRICE-EARNINGS RATIOS
of all stocks with earnings

18.8

26 Weeks Ago	Market Low	Market High
17.7	10-9-02 14.1	4-5-04 19.7

The Median of Estimated
DIVIDEND YIELDS
(next 12 months) of all dividend
paying stocks under review

1.6%

26 Weeks Ago	Market Low	Market High
1.7%	10-9-02 2.4%	4-5-04 1.6%

The Estimated Median Price
APPRECIATION POTENTIAL
of all 1700 stocks in the hypothesized
economic environment 3 to 5 years hence

40%

26 Weeks Ago	Market Low	Market High
55%	10-9-02 115%	4-5-04 40%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numerical in parenthesis after the industry is rank for probable performance (next 12 months).

PAGE	PAGE	PAGE	PAGE
Advertising (33) 1921	Educational Services (52) 1581	Insurance (Prop/Cas.) (41) 584	Railroad (13) 283
Aerospace/Defense (27) 543	Electrical Equipment (18) 1001	Internet (8) 2224	R.E.I.T. (96) 1173
Air Transport (44) 253	Electric Util. (Central) (90) 695	Investment Co. (23) 959	Recreation (84) 1841
Apparel (91) 1651	Electric Utility (East) (93) 154	Investment Co.(Foreign) (26) 359	Restaurant (58) 291
Auto & Truck (28) 101	Electric Utility (West) (83) 1774	*Machinery (55) 1331	Retail Automotive (64) 1665
Auto Parts (94) 790	Electronics (63) 1023	Manuf. Housing/RV (48) 1551	Retail Building Supply (4) 880
Bank (80) 2101	Entertainment (25) 1861	Maritime (24) 276	Retail (Special Lines) (71) 1708
Bank (Canadian) (77) 1567	Entertainment Tech (79) 1594	Medical Services (9) 628	Retail Store (38) 1674
Bank (Midwest) (86) 612	Environmental (78) 348	Medical Supplies (43) 178	*Securities Brokerage (34) 1424
Beverage (Alcoholic) (69) 1534	Financial Svcs. (Div.) (56) 2129	Metal Fabricating (37) 564	Semiconductor (59) 1051
Beverage (Soft Drink) (88) 1542	Food Processing (74) 1481	Metals & Mining (Div.) (31) 1222	Semiconductor Equip (65) 1092
Biotechnology (57) 666	Food Wholesalers (46) 1529	Natural Gas (Distrib.) (97) 459	Shoe (72) 1696
Building Materials (45) 851	Foreign Electronics (18) 1558	Natural Gas (Div.) (19) 437	Steel General (1) 574
Cable TV (30) 823	Foreign Telecom. (21) 765	Newspaper (76) 1907	*Steel Integrated (11) 987, 1414
Canadian Energy (35) 428	Furn/Home Furnishings (92) 894	Office Equip/Supplies (82) 1137	Telecom. Equipment (51) 742
Cement & Aggregates (32) 887	Grocery (81) 1514	Oilfield Svcs/Equip. (20) 1940	Telecom. Services (66) 719
Chemical (Basic) (3) 1234	Healthcare Information (61) 655	Packaging & Container (40) 925	Thrift (85) 1161
Chemical (Diversified) (39) 1961	Home Appliance (75) 117	Paper/Forest Products (29) 908	Tire & Rubber (50) 111
Chemical (Specialty) (54) 476	Homebuilding (2) 866	Petroleum (Integrated) (17) 405	Tobacco (98) 1574
Coal (5) 521	Hotel/Gaming (67) 1876	Petroleum (Producing) (7) 1930	Toiletries/Cosmetics (60) 811
Computers/Peripherals (22) 1107	Household Products (87) 942	Pharmacy Services (36) 780	Trucking (6) 265
Computer Software/Svcs (10) 2167	Human Resources (62) 1285	Power (89) 974	*Water Utility (95) 1420
*Diversified Co. (53) 1376	Industrial Services (42) 321	Precious Metals (73) 1214	Wireless Networking (14) 509
Drug (70) 1242	Information Services (15) 374	Precision Instrument (68) 124	
*E-Commerce (12) 1439	Insurance (Life) (47) 1200	Publishing (49) 1893	

*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LX, No. 22.

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Table 4 Basic Series

Summary Statistics
of Annual Returns

From 1926 to 2004

Asset Class	1/1/26 to 12/31/04		
	Geometric Mean	Arithmetic Mean	Standard Deviation
Large Company Stocks	10.4%	12.4%	20.3%
Small Company Stocks	12.7%	17.5%	33.1%
Long-Term Corporate Bonds	5.9%	6.2%	8.6%
Long-Term Government Bonds	5.4%R	5.8%	9.3%
Intermediate-Term Government Bonds	5.4%	5.5%	5.7%
U.S. Treasury Bills	3.7%	3.8%	3.1%
Inflation	3.0%E	3.1%E	4.3%E

R = Revised
E = Estimated

Comparable Earnings Approach

Using Non-Utility Companies with

Timeliness of 3, 4 & 5; Safety Rank of 1 & 2; Financial Strength of B++ & A;
Price Stability of 100; Betas of .55 to .80; and Technical Rank of 2 & 3

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
ABM Industries Inc.	INDUSRV	4	2	B++	85	0.75	3
Alleghany Corp.	INSPRPTY	4	1	A	100	0.55	3
Arrow Int'l	MEDSUPPL	4	2	A	90	0.60	3
Banta Corp.	PUBLISH	4	2	B++	95	0.75	3
Bob Evans Farms	RESTRNT	5	2	B++	85	0.80	3
BOK Financial	BANKMID	3	2	B++	95	0.80	3
Campbell Soup	FOODPROC	3	2	B++	95	0.60	3
Capitol Fed. Fin'l	THRIFT	3	2	B++	95	0.70	2
Church & Dwight	HOUSEPRD	3	2	A	75	0.55	3
Clorox Co.	HOUSEPRD	4	2	A	80	0.65	3
Commerce Bancshs.	BANKMID	3	1	A	100	0.80	3
ConAgra Foods	FOODPROC	3	2	A	90	0.70	3
Com Products Int'l	FOODPROC	3	2	B++	85	0.80	3
Curtiss-Wright	MACHINE	3	2	B++	90	0.65	3
Dentsply Int'l	MEDSUPPL	3	2	B++	95	0.70	3
Franklin Electric	ELECEQ	3	2	B++	85	0.65	3
Gen'l Mills	FOODPROC	3	1	A	100	0.55	3
Hillenbrand Inds.	DIVERSIF	5	2	A	90	0.80	3
Hormel Foods	FOODPROC	4	1	A	95	0.65	3
Int'l Flavors & Frag.	CHEMSPEC	3	2	B++	85	0.75	3
Kellogg	FOODPROC	4	2	B++	90	0.60	3
Lawson Products	METALFAB	3	1	A	90	0.65	2
Markel Corp.	INSPRPTY	3	2	B++	95	0.80	3
RLI Corp.	INSPRPTY	3	2	B++	95	0.75	3
Sensient Techn.	FOODPROC	3	2	B++	85	0.75	3
Standex Int'l	DIVERSIF	3	2	B++	80	0.80	3
Tecumseh Products 'A'	MACHINE	3	2	A	80	0.80	2
Tennant Co.	MACHINE	4	2	B++	85	0.80	3
Thomas Inds.	MACHINE	5	2	B++	80	0.75	3
Universal Corp.	TOBACCO	5	2	B++	90	0.70	3
Weis Markets	GROCERY	3	1	A	95	0.70	3
Wendy's Int'l	RESTRNT	4	2	A	80	0.75	3
Average		4	2	B++	89	0.71	3
Gas Group	Range	3 to 5	1 to 2	B++ to A	100	.55 to .80	2 to 3
	Average	4	2	B++	100	0.72	3

Source of Information: Value Line Investment Survey for Windows, January 7, 2005

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2000-2004 and
Projected 3-5 Year Returns

Company	2000	2001	2002	2003	2004	Average	Projected 2007-09
ABM Industries Inc.	13.7%	12.5%	12.1%	8.2%	9.0%	11.1%	13.5%
Alleghany Corp.	2.9%	15.8%	4.0%	10.4%	4.5%	7.5%	7.5%
Arrow Int'l	17.0%	14.3%	13.1%	13.3%	12.5%	14.0%	12.5%
Banta Corp.	15.8%	14.2%	13.3%	12.2%	13.0%	13.7%	14.0%
Bob Evans Farms	11.1%	12.5%	13.4%	11.4%	7.0%	11.1%	11.0%
BOK Financial	14.2%	15.2%	13.8%	12.9%	13.0%	13.8%	11.5%
Campbell Soup	521.2%	-	-	NMF	74.7%	298.0%	33.5%
Capitol Fed. Fin'l	7.7%	7.4%	9.1%	5.3%	4.0%	6.7%	10.0%
Church & Dwight	20.9%	19.1%	19.4%	17.9%	20.5%	19.6%	14.5%
Clorox Co.	23.4%	20.2%	23.8%	42.3%	35.5%	29.0%	93.5%
Commerce Bancshs.	15.6%	14.3%	14.1%	14.2%	15.0%	14.6%	13.5%
ConAgra Foods	27.0%	17.1%	18.2%	18.2%	16.4%	19.4%	19.0%
Corn Products Int'l	6.4%	6.7%	7.6%	8.3%	10.5%	7.9%	10.5%
Curtiss-Wright	13.1%	11.6%	10.1%	10.9%	12.0%	11.5%	12.5%
Dentsply Int'l	19.4%	18.0%	17.5%	15.4%	14.0%	16.9%	13.5%
Franklin Electric	20.9%	22.0%	21.0%	17.9%	17.5%	19.9%	17.5%
Gen'l Mills	NMF	NMF	16.2%	24.0%	20.8%	20.3%	17.0%
Hillenbrand Inds.	18.7%	17.7%	19.8%	21.1%	16.5%	18.8%	21.5%
Hormel Foods	19.5%	18.3%	17.0%	14.8%	14.5%	16.8%	17.5%
Int'l Flavors & Frag.	23.7%	25.8%	32.0%	26.9%	24.0%	26.5%	19.0%
Kellogg	72.6%	61.1%	79.4%	54.5%	47.0%	62.9%	28.0%
Lawson Products	16.3%	8.7%	7.7%	9.7%	13.0%	11.1%	14.5%
Markel Corp.	NMF	NMF	3.2%	6.1%	11.0%	6.8%	13.0%
RLI Corp.	8.8%	9.0%	8.4%	10.6%	9.0%	9.2%	11.5%
Sensient Techn.	16.7%	15.1%	16.2%	13.4%	12.0%	14.7%	13.0%
Standex Int'l	18.5%	14.5%	11.4%	11.1%	13.5%	13.8%	18.5%
Tecumseh Products 'A'	6.6%	4.4%	5.5%	3.8%	3.0%	4.7%	10.0%
Tennant Co.	18.2%	3.1%	8.0%	8.5%	8.5%	9.3%	12.0%
Thomas Inds.	13.5%	11.9%	10.4%	9.4%	6.5%	10.3%	6.5%
Universal Corp.	23.7%	21.4%	18.1%	18.3%	16.5%	19.6%	17.0%
Weis Markets	7.9%	10.1%	10.4%	9.5%	9.0%	9.4%	10.5%
Wendy's Int'l	16.1%	18.8%	15.1%	13.4%	14.0%	15.5%	16.5%
Average						24.5%	17.3%
Median						13.9%	13.5%

